



The CITY of  
**EDINA**

# Proposed Tax Increment Financing District 50<sup>th</sup> and France 2

- 1) Background and Vision
- 2) What is TIF?
- 3) Why consider a new TIF?
- 4) Proposed TIF Plan

Edina City Council  
PUBLIC HEARING

June 20, 2017

# Background 1930s to 1950s



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- Streetcar lines
- Two-story buildings
- Undeveloped suburban lots

# Background 1940s to 1950s



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- A growing retail district

Upper Left: 3906 W. 50<sup>th</sup>(now Steel Fitness), 1959

Lower Left: 5030 France Ave. (now Salut), 1959

Upper Right: Edina Theater, 1941

All images from Edina Historical Society

# Background 1969-70



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## 190-CAR PARKING RAMP, NEW STREET LAUNCH 50th & FRANCE REDEVELOPMENT

After several years of discussion and planning, work actually started, and was almost completed, in 1969 on the first two phases of improving Edina's original "downtown" at 50th & France.

A new street was cut through from Halifax just south of 50th, east to France Avenue, to take some of the traffic pressure away from the 50th & France intersection.

A 190-Car Parking Ramp directly behind the Edina Theatre, and accessible from the new "ring" route should be completed and ready for use in February. The two-level Parking Ramp will serve both shoppers and employees.

A major storm sewer project was required before the Parking Ramp could be built. Costs of the project are being financed by Village gasoline tax money and special assessments of the benefitted business properties.

The disposition of the old Wallace home which served as Edina's library from 1955 until 1968 has held up additional improvements on the north side of 50th Street. Nearby residents have not yet given the necessary legal permission to remove the house, sell the property to the adjacent bank and move Library Lane 60 feet to the west.

This plan would still leave a 50-foot buffer between the adjoining residential property and the new street. Further efforts are being made to work out plans so that the neighbors will be willing to consent.

*Village of Edina Newsletter*

**BE SURE TO RETURN THE ENCLOSED  
HOMESTEAD EXEMPTION APPLICATION  
FOR LOWEST POSSIBLE TAXES  
BY JANUARY 15, 1970**

*Jan 1 1970*

- New bypass roads (49-1/2<sup>th</sup> and 51<sup>st</sup>)
- South Ramp constructed



190-Car 50th & France Parking Ramp Ready Soon

New 51st Street Goes West from France to Halifax



# Background 1976



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Edina City-Schools Newsletter

10-76

## 50th AND FRANCE OPEN WITH A EUROPEAN AND CONTINENTAL ATMOSPHERE

The revitalization of Edina's original "downtown"—the 50th and France commercial area—is nearing completion. Traffic and utility systems have been modernized, with hundreds of additional parking spaces provided.

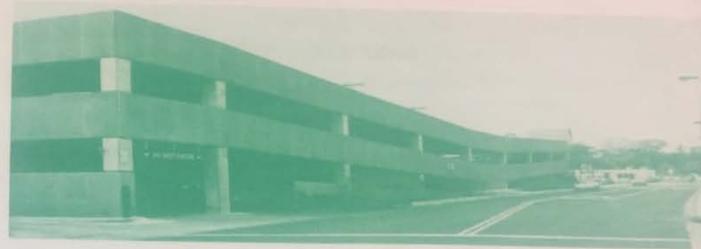
49½ Street, 50th Street, and Halifax Avenue have been reconstructed. New brick walk-ways bordered by many trees and shrubs have been built on 50th and in the pedestrian lane between the new parking ramp on 49½ Street and the businesses on the north side of 50th Street. France Avenue from 49½ Street to 51st Street is also receiving a face-lifting.

Accompanying the public improvements, new private developments costing more than \$1.3 million have been completed; with more than \$2 million additional private construction in the planning stage. Two formerly large commercial buildings have been remodelled into small shops. An automobile service station was removed.

The Edina Housing and Redevelopment Authority, created by the City Council, has directed the project which takes advantage of state laws allowing the increased amount of taxes paid because of improvements and new developments to pay for the improvements. About 20% of the total \$3.5 million cost will be paid by special assessment, 10% by State and Federal sources, 10% from miscellaneous funds, and 60% by increased tax revenues.

A European continental atmosphere has been created by the provision of wood street furniture, abundant landscaping, and the brick walk-ways. Every effort has been made to preserve the small-shop atmosphere in a pedestrian-oriented setting.

The free parking ramps behind the businesses on both sides of 50th Street are only a short walking distance from all shops in the area.



Edina's New 49½ Street Parking Ramp



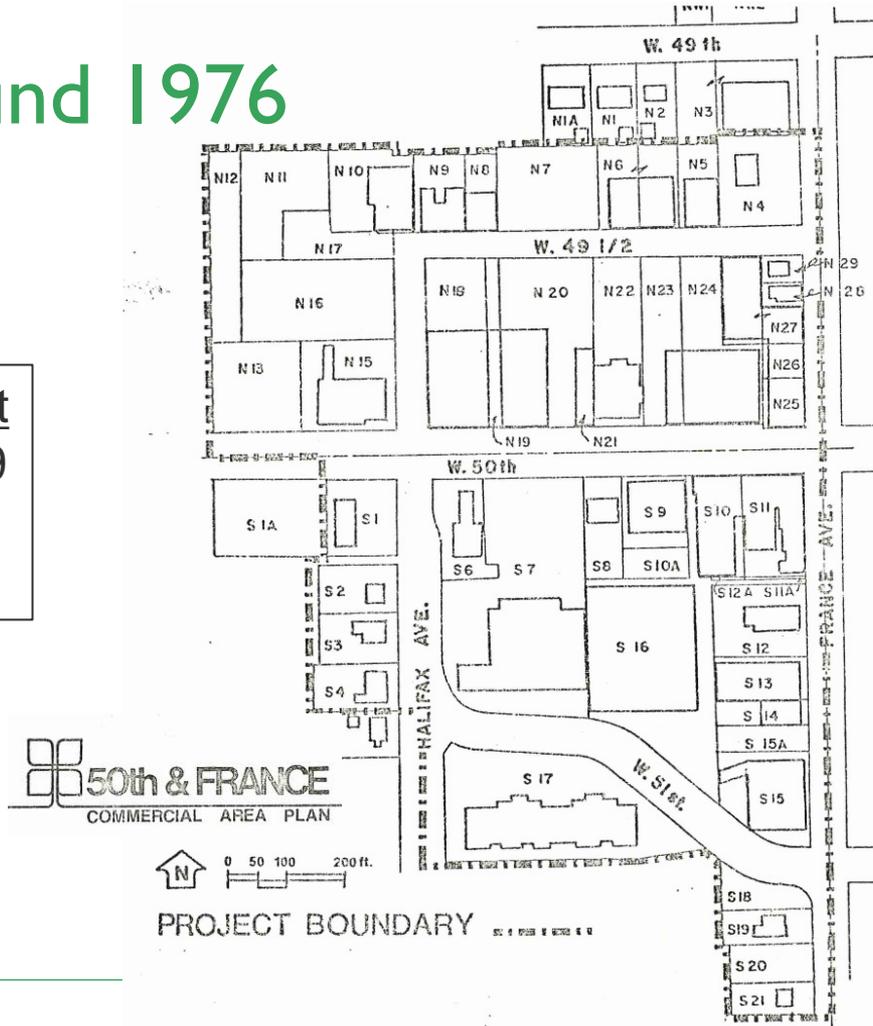
The Pedestrian Mall, North of 50th Street

- Center Ramp opens
- \$3.5 M public investment
  - (approx \$15 M in 2017 dollars x4.35)
- New "european" style walkways
- TIF was used to finance

# Background 1976

## First TIF District

- 1976 to 2009
- 143 parcels
- 18.3 acres

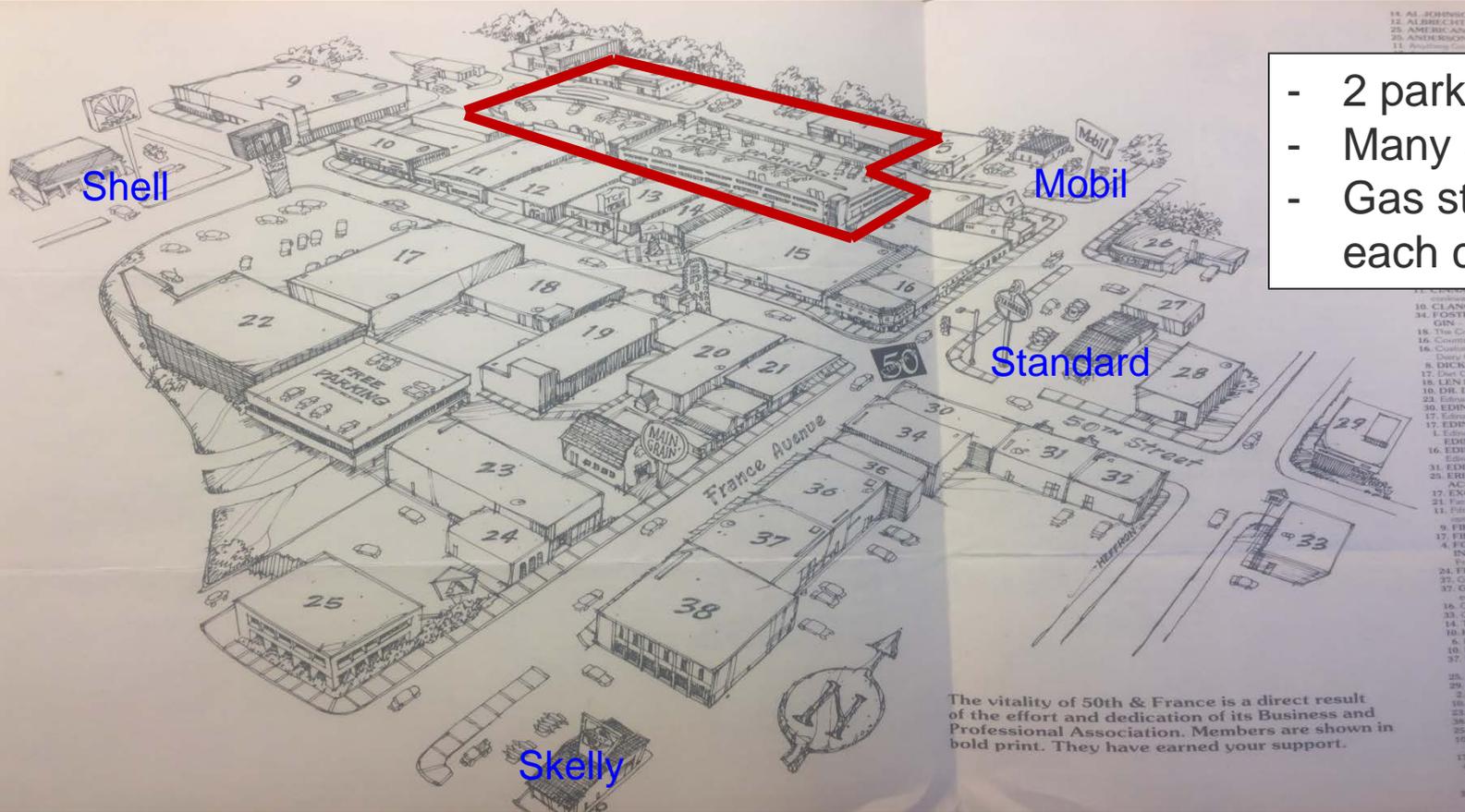


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# Background 1980



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- 2 parking garages
- Many small shops
- Gas stations at each corner

The vitality of 50th & France is a direct result of the effort and dedication of its Business and Professional Association. Members are shown in bold print. They have earned your support.

# Background 1980s to 1990s



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The Henley Condominiums



Edina Theater (multi-screen)



The Regency Condominiums

# Background 2000-2007



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- 5000 France condominiums
- Adds new retail and restaurants
- Replaced small shops and restaurant

# Background 2013-2016



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- Acquired properties for expansion
  - Outdated, in need of redevelopment
- Clarified goal of creating vibrant streetlife
  - not just more parking lots
- Began site clearance
- Issued RFP for development partner



**3930** parcel, 0.37 acres  
\$2.6 million

**3944** parcel, 0.24 acres  
\$1.55 million + approx. \$250k in clean up



# Background 2016



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- ▶ Partnership sought to achieve public-sector goals with private-sector expertise
- ▶ Issued Request for Proposal in August 2016
- ▶ Three teams interviewed in November 2016
- ▶ Buhl Investors / Saturday Properties selected in December 2016
- ▶ Weekly meetings to refine concept & redevelopment strategy
- ▶ Developer held several Open Houses and neighbor meetings to identify and address concerns
- ▶ Used City's typical development review process (Planning Commission, etc.)

# Community Vision

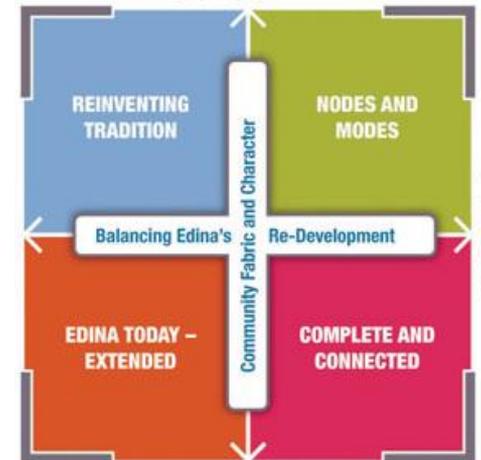


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**“Residential Development Mix ...**  
Continue to explore options for new multi-family housing throughout the city in mixed-use areas and near public spaces... create affordable housing options close to transit, shopping and employment centers ” (page 7)

**“Live and Work ...**  
promote the development of a mix of commercial amenities, including restaurants and cultural amenities, which ... can further act as connection points or hubs within the fabric of neighborhoods and development areas.” (page 10)

**Commercial Development...** promote the continued vitality of existing core retail zones (page 9)



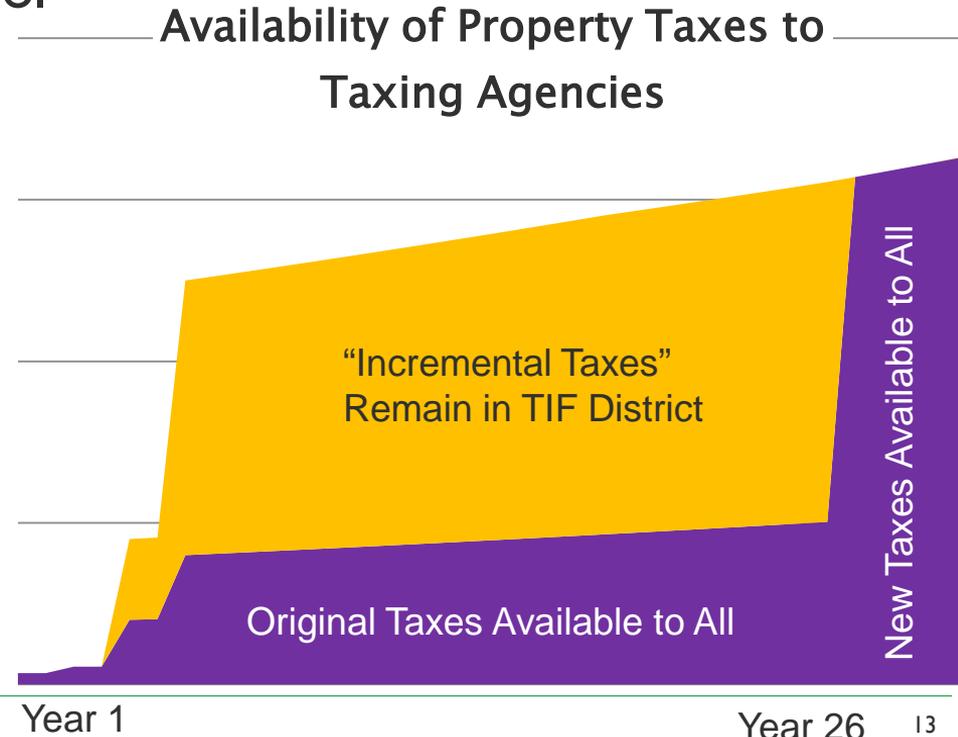
**“Future-Oriented ...** We stand on the foundation of our traditions, but are not afraid to adapt and change as the city evolves.” (page 5)

**“Transportation Options -**  
... develop the sidewalk, trail and bike networks to improve accessibility and connectivity ...” (page 8)



# What is TIF?

- Economic development financing tool
- Used throughout the U.S.
- Guided by Minnesota Statute
- Enabled by City Council
- Uses growth in tax base to fund private investment and public infrastructure



# What is TIF?



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Tax increment financing (TIF) uses the **increased** property taxes that a real estate development generates to finance the costs of the development. In Minnesota, TIF is used for two basic purposes:

- To induce or cause a development or redevelopment that otherwise would not occur – e.g., to convince a developer to build an office building, retail, industrial, or housing development that otherwise would not be constructed. To do so, **the increased property taxes are used to pay for costs (e.g., land acquisition or site preparation) that the developer would normally pay.**
- **To finance public infrastructure (streets, sewer, water, or parking facilities) that are related to the development.** In some cases, the developer would be required to pay for this infrastructure through special assessments or other charges. In other cases, all taxpayers would pay through general city taxes.



# What is TIF?

## 1) Create "District"

- Boundaries
- Maximum Budget
- Term
- Qualifications
- But-for

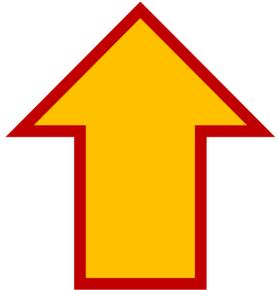
## Steps to Establish, Fund and Monitor TIF (defined in Minnesota TIF Statutes)

## 2) Consider Funding for Specific Projects

- Private developments
- Public improvements

## 3) Monitoring & Compliance

- 4-year knock down
- 5-year construction
- Annual reporting
- De-certification



Action recommended today



# Why consider TIF?

- Financing strategy to achieve public goals without overburdening property owners
  - return tax-exempt parcels to tax rolls
  - existing parking ramps funded 80% TIF plus 20% assessment to commercial property owners
- Proactive step to reposition for continued success
  - lengthened life span of public parking
  - close, clean and safe underground parking
  - new public plaza and pedestrian routes

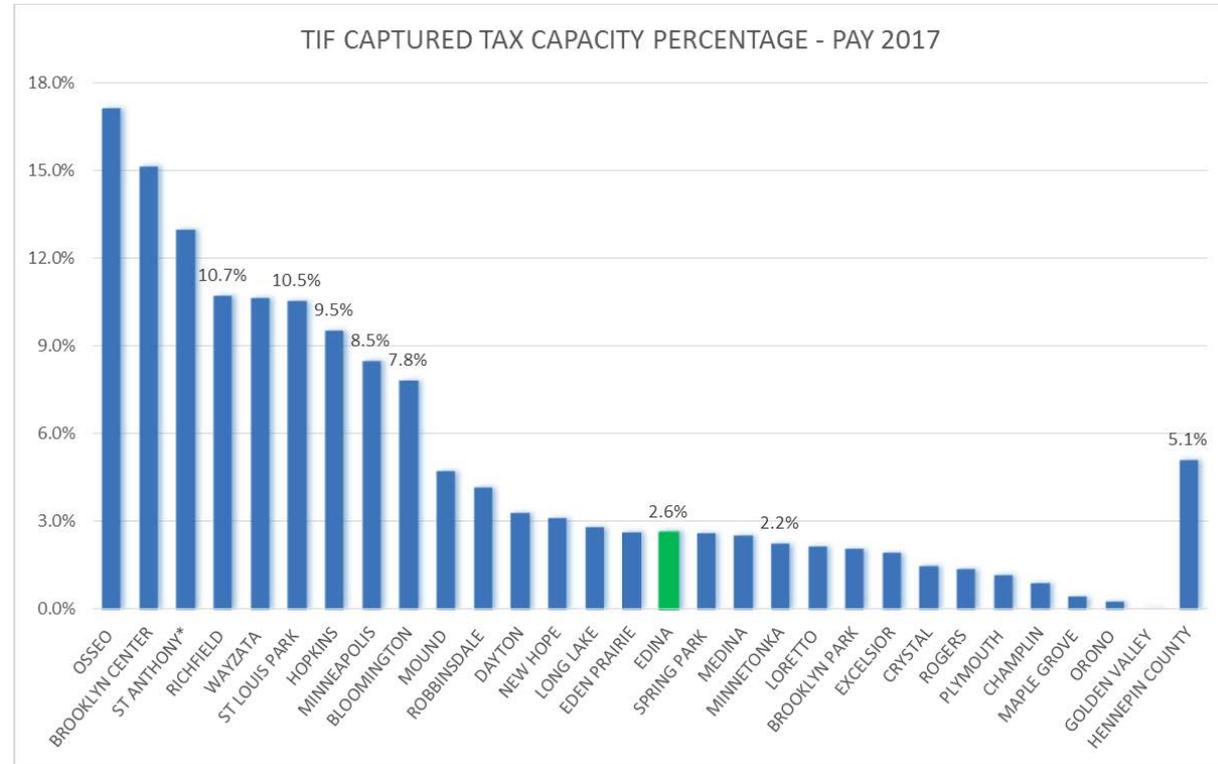
## Challenges to Redevelopment

- 1) - demolition costs
- 2) - environmental remediation
- 3) - proximity to neighbors
- 4) - affordable housing
- 5) - public realm costs
- 6) - structured parking costs

# Why consider TIF?



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\*Proposed 50<sup>th</sup> & France 2 TIF District

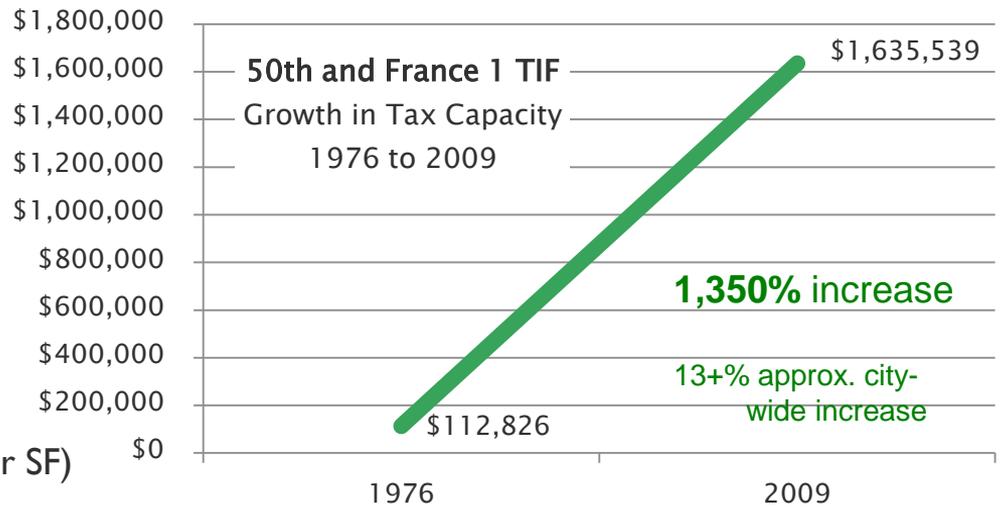
# Why consider TIF?



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## Edina's First TIF Success Story

- 50<sup>th</sup> & France (1) TIF District
- 1974 to 2009
- 1,350% growth in tax capacity
- Under-utilized parcels replaced with
  - Market-rate condominiums
  - Public parking structures
  - Public improvements
  - Edina's highest commercial values (per SF)



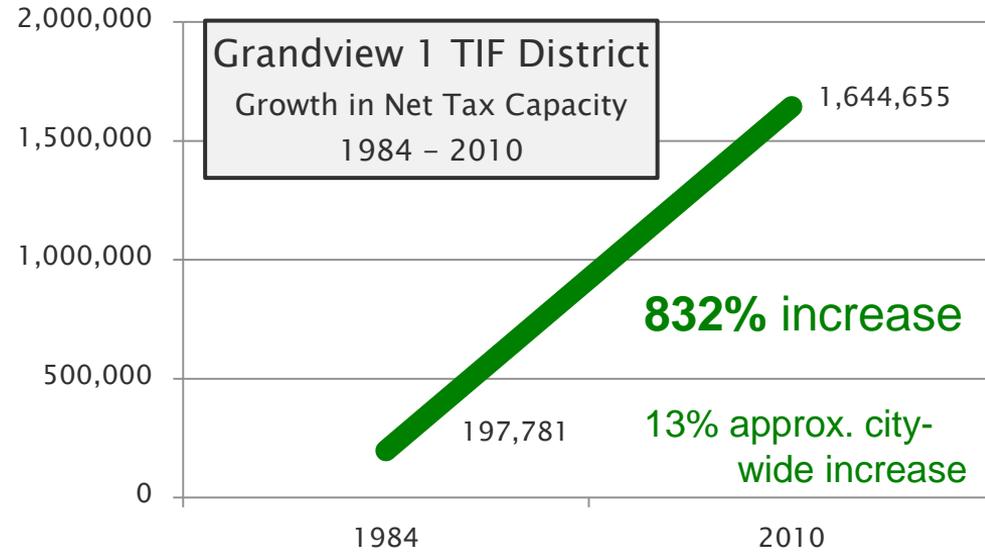
# Why consider TIF?



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## A second example:

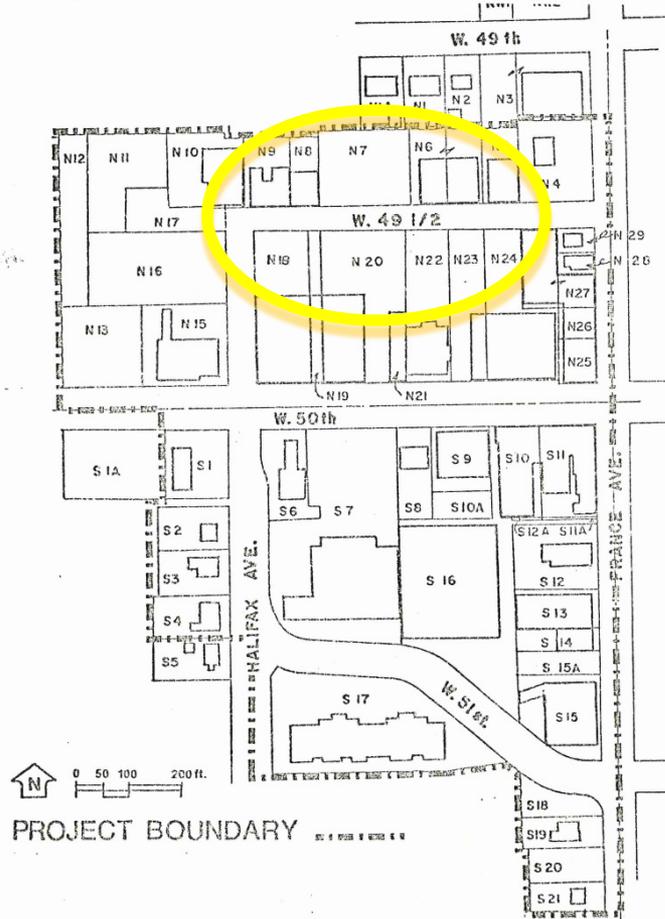
- Grandview (I) TIF District
- 1984 to 2010
- 832% growth in tax capacity
- Outdated industrial sites replaced with
  - Class A office building
  - Market-rate condominiums
  - Public park
  - Hennepin County Library
  - Edina Senior Center



# Proposed District



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- Avoid the “Include Everything” approach
- Include only the parcels imminently anticipated to change
- 16% of 18.3-acre Commercial Area

# Proposed District



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## Qualifying TIF Conditions

- 9 parcels
- 2.9 acres
- 8 parcels tax-exempt
- All parcels evaluated per MN Statute
- 2 buildings deemed “sub-standard”
- Vacant, parking & R-O-W parcels
- Buildings “reasonably distributed”

# Proposed District



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## Financial Estimates

- Redevelopment District - 26 year term
- Original Tax Capacity = \$72,509\*
- Estimated Tax Capacity = \$1,558,128
  - Estimate only
  - Establishes maximum budget
  - No guarantee

*\* Currently \$15,148; Estimate assumes that tax-exempt parcels become taxable to benefit all taxing districts*



# Proposed District



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## Financial Estimates

- Original Tax Capacity = \$72,509\*
- Est. Tax Capacity (completion) = \$744,171
- Est. Tax Capacity (year 26) = \$1,558,128

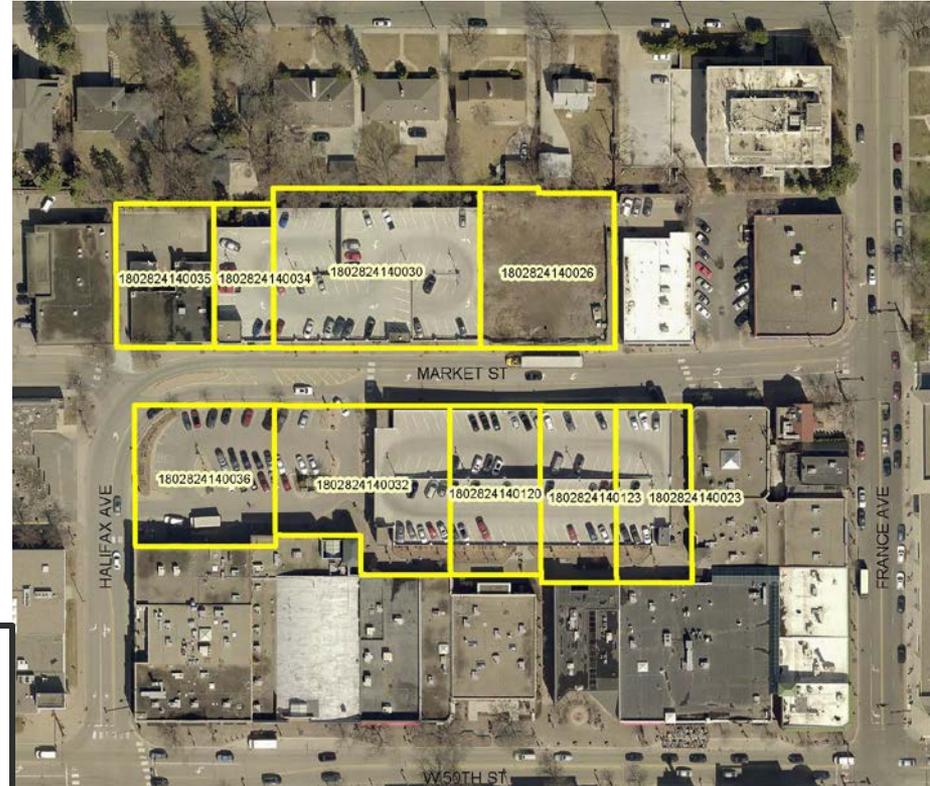
\* Estimated increase due to shift from tax-exempt to taxable

### WHAT IS EXCLUDED FROM TIF?

|                         |           |
|-------------------------|-----------|
| Total Property Taxes    | 1,110,579 |
| less State-wide Taxes   | (107,365) |
| less Fiscal Disp. Adj.  | (117,596) |
| less Market Value Taxes | (98,558)  |
| less Base Value Taxes   | (66,184)  |
| Annual Gross TIF        | 720,877   |

### Taxable Market Value – Estimate

|                 |              |
|-----------------|--------------|
| Current Value = | \$12,760,300 |
| New Value =     | \$60,968,430 |
| Difference =    | \$48,108,130 |



# Proposed Sources and Uses



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## Potential Revenue Collected

- \$28.5 million in taxes  
(over 26 year term)
- \$31.4 million  
(with interest earnings)

## Projected Uses of Funds

- Land acquisition \$6.1 M (19%)
- Site preparation \$1.6 M (5%)
- Utilities \$1.9 M (6%)
- Other Improvements \$4.2 M (13%)
- Administrative \$2.9 M (9%)
- Interest \$14.7 M (47%)
- Total \$31.4 M



# Comparison of Taxing Agencies

## Impacted Taxing Agencies

- City of Edina
- Edina School District #273
- Hennepin County
- Other smaller agencies too  
(Water shed, transit, HRA, mosquito)

| Largest Taxing Agencies   | Total Tax Capacity | OTC as % of Total Tax Capacity |
|---------------------------|--------------------|--------------------------------|
| Hennepin County           | 1.573 billion      | 0.005 %                        |
| City of Edina             | 116.8 million      | 0.062 %                        |
| Edina School District 273 | 97.0 million       | 0.074 %                        |

Original Tax Capacity is estimated to increase from \$15,148 to 72,509. This amount will always be included in the general tax base. This is an immediate increase to all taxing districts.

MN TIF Statute requires that the OTC be recalculated if tax-exempt land becomes taxable.



# But-For Analysis per MN TIF Statute

| But-For Analysis                                       |                   |
|--|-------------------|
| Current Market Value                                   | 12,760,300        |
| New Market Value - Estimate                            | 60,868,430        |
| Difference   | 48,108,130        |
| Present Value of Tax Increment                         | 12,253,149        |
| Difference   | 35,854,980        |
| <b>Value Likely to Occur Without TIF is Less Than:</b> | <b>35,854,980</b> |

- There are extensive costs to assemble land, complete environmental remediation, site preparation and construct mixed-use , public-private improvements to benefit the community.
- While some re-use could occur without TIF, the significant redevelopment anticipated is not likely to exceed \$35.8 million unless public participation is available.

**THEREFORE, It is the opinion of City staff and engaged consultants that it is reasonable to conclude that significant private investment will not occur without the use of Tax Increment Financing (TIF) to fund these extra-ordinary cost.**



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Thank You.

City staff and Ehlers & Associates are  
pleased to answer any other questions.